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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

Legislative Counsel
7D35 HQ

EXTENSION

NO.

6136

DATE 12 August 1975

TO: (Officer designation, room number, and building)

DATE _____

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COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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An omnibus tax bill, H.R. 17488 introduced in the 93rd Congress, would have subjected allowances paid to Government employees working overseas to the Federal income tax. No similar proposals have yet been introduced in the 94th Congress, but apparently the House Ways and Means Committee is scheduled to consider such an issue this fall. The attached letter represents the State Department's position on this question.

OMB has referred the letter to us for specific comments on these two points: (1) What justification is there for exempting the allowances of Federal Government employees working overseas and not exempting the allowances of U.S. citizens employed overseas by private enterprise? (2) What additional arguments are there that overseas allowances do not reflect additional compensation? These two points are discussed on page 3 of Secretary Kissinger's letter. OMB's feeling is that it will be an up-hill battle to convince the Congress that these allowances should not be taxed. Therefore, they need additional arguments to reinforce the Administration's position.

The Director wrote James Lynn, Director of OMB, on August 8th on this general subject. That letter is also attached. However, it does not fully address the specifics OMB is requesting. I need your comments on these points by August 20th. Personnel and Finance have been sent separate copies of this request. Thank you.

Assistant Legislative Counsel

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